CANRON LIMITED

1969 Annual Report

Top: Canron's new electric motor plant at Napanee, Ontario; completed July 1969.

Bottom: Tamping machines awaiting shipment to Sweden and Japan from Matisa Matériel Industriel S.A. of Switzerland, a Canron subsidiary

Contents

Si vous préférez recevoir ce rapport annuel en français, prière d'en aviser le secrétaire de Canron Limitée.

Annual meeting: The fifty-fourth annual general meeting of Shareholders will be held in le Salon Viger B, Le Château Champlain Hotel, Montreal, Quebec, on Wednesday, April 8, 1970, at 11:00 a.m.

Transfer agents: Montreal Trust Company Montreal, Toronto, Halifax, Winnipeg, Vancouver.

Registrar: The Royal Trust Company Montreal, Toronto, Halifax, Winnipeg, Vancouver.

Highlights

(Thousands of dollars)

	1969	1968
Sales	**$138,088**	$141,042
Net Earnings	**$ 3,003**	$ 3,703
Shareholders' Equity	**$ 39,485**	$ 39,131
Bank Advances and Funded Debt	**$ 46,360**	$ 26,217
Working Capital	**$ 27,097**	$ 32,743
Capital Expenditures	**$ 2,801**	$ 2,601
Depreciation	**$ 3,217**	$ 3,324
Earnings per Common Share (dollars)	**$ 1.17**	$ 1.45
Cash Flow per Common Share (dollars)	**$ 2.58**	$ 2.90
Dividends per Common Share (dollars)	**$ 1.00**	$ 1.00
Book Value per Common Share (dollars)	**$ 15.07**	$ 14.89
Net Earnings as % of Sales	**2.2%**	2.6%
Net Earnings as % of Common Shareholders' Equity	**7.8%**	9.7%

CANRON LIMITED 1121 Place Ville Marie, Montreal 113, Que.

Directors

D. W. Ambridge	Honorary Chairman, Abitibi Paper Company, Limited, Toronto
R. J. Bailie	Executive Vice-President, Operations, Canron Limited, Montreal
W. J. Bennett	President, Iron Ore Company of Canada, Montreal
Hon. F. P. Brais, Q.C.	Partner, Brais, Campbell, Pepper & Durand, Montreal
R. K. Carty	Executive Vice-President, Finance, Canron Limited, Montreal
J. S. Dinnick	Chairman of the Board, McLeod, Young, Weir & Co. Ltd., Toronto
*J. C. Gilmer	President, Canadian Pacific Air Lines, Limited, Vancouver
C. L. Gundy	Chairman, Wood Gundy Securities Limited, Toronto
J. G. Kirkpatrick, Q.C.	Partner, Ogilvy, Cope, Porteous, Hansard, Marler, Montgomery & Renault, Montreal
H. J. Lang	Chairman and President, Canron Limited, Montreal
M. W. Mackenzie	Vice-Chairman, Canron Limited, Montreal
A. D. McCall	Chairman, Drummond, McCall & Co. Ltd., Montreal
H. E. McKeen	Senior Vice-President, Canron Limited, Montreal
†T. F. Rahilly	Honorary Chairman, Canron Limited, Toronto
F. H. Sherman	President, Dominion Foundries and Steel Ltd., Hamilton

Officers

H. J. Lang	Chairman and President
M. W. Mackenzie	Vice-Chairman
H. E. McKeen	Senior Vice-President
R. J. Bailie	Executive Vice-President, Operations
R. K. Carty	Executive Vice-President, Finance
P. M. Draper	Vice-President and Secretary
D. J. LaFontaine	Vice-President
F. E. Miller	Vice-President
W. D. Moncur	Treasurer
M. D. Calder	Controller
A. Y. Mitchell	Assistant Secretary

*Elected May 21, 1969
†Resigned May 21, 1969

Directors' report to the shareholders

Your Directors present their 54th Annual Report to the Shareholders together with supplementary information in the Review of the Year which follows.

Income and earnings: Consolidated sales of the company were $138.1 million in 1969, down slightly from the previous year and considerably below anticipated levels. The deferment of a number of large commercial and municipal projects, which was responsible for reduced shipments in the latter part of 1968, continued to exert the same adverse effects well into 1969. Prolonged strikes in the steel and mining industries brought about a sharp decrease in demand for a number of our products. Operating profits reflected the increased manufacturing costs resulting from frequent disruptions of production schedules. Net income from operations was equivalent to 43¢ a common share in the first half of the year and 54¢ in the last half. A gain of $493,000 from the disposal of property during 1969, which has been recorded as an extraordinary item of income, contributed an additional 20¢ bringing the total net profit for the year to $1.17 a common share compared with $1.45 in 1968.

Dividends: Dividends totalling $4.25 a share were declared on the preferred shares and $1.00 a share on the common shares during 1969. The payout ratio of common share dividends to net earnings, including payments in 1969, has averaged 54% over the last five years.

Operations: The year 1969 began with a relatively low order backlog of $41 million. Although new business developed slowly early in the year, orders received in the second quarter included several large structural steel contracts and improved the backlog to $72 million. The level of bookings continued rising in the second half and reached a record high of $86 million at December 31, 1969. Approximately $20 million of this work will not be completed until 1971. The improvement in operating results which was evident in the second quarter was severely reduced after mid-year because of the lengthy strikes in the steel and mining industries. It was therefore necessary to suspend operations for 2½ months at three of the plants in the foundry division and to make costly changes to production schedules in the mechanical and steel fabricating divisions. Despite the shortage of municipal funds, the increasing requirements for essential water services re-established a strong demand for iron pipe and sales and earnings in this division reached original expectations by year-end.
The company's sales agency division, Railway & Power Engineering Corporation, Limited, continued to show excellent results. Both of the United States operating subsidiaries, Tamper Inc. and Pacific Press & Shear Corp., performed in a highly satisfactory manner and ended the year with a healthy backlog of business.
The company's railway equipment operations at the South Carolina plant were expanded by acquiring a complementary line of products from the Kalamazoo Manufacturing Company in the United States. The purchase late in the year of Matisa Matériel Industriel, S.A. in Switzerland, a manufacturer of specialized equipment for railway track maintenance, will provide a further opportunity to enhance earnings. An agreement has been negotiated to buy the assets of the Warren Pipe & Foundry Division of Shahmoon Industries Inc. which produces spun iron water pipe and cast iron fittings for markets in the northeastern United States. Warren's manufacturing processes are similar to our company's existing pipe operations in Canada which have a good earnings record.
The Calgary plant of the Structural Steel group was closed during the summer of 1969 and the property and assets sold. The Prairie Provinces will in future be served from the Edmonton and Vancouver facilities. A small steel fabricating plant in Dartmouth, Nova Scotia, was sold in February 1970 as operations at this location have not been satisfactory compared with other company activities of a similar nature. The recent acquisitions and expansion of facilities have been made, as planned, in areas which have consistently attained a good return on investment and where we can utilize the special technical and commercial skills already employed in our company.
It is expected that sales in 1970 will be considerably greater than those recorded in any previous year. This forecast is based on the substantial contribution from recent acquisitions, the large backlog of orders and the strong demand for the company's products so far this year.

Capital Expenditures: Capital expenditures excluding the cost of acquisitions totalled $3.4 million in 1969. The only major expenditure was for completion of the new fractional horsepower motor plant at Napanee, Ontario. The balance was required to improve working conditions and increase manufacturing efficiency at the company's numerous plants. Installation of equipment for new products and improvements to present facilities will require approximately the same level of expenditures in 1970.

Organization: During the year several changes occurred in senior management. Mr. F. E. Miller was appointed Group Vice-President, Pipe and Foundry Operations. Mr. R. Lyle retired as Vice-President and General Manager of the Pipe Division after more than forty years of service. Mr. J. Dunlop and Mr. A. G. Hyde were appointed Division General Managers and Mr. Bruno Benz was elected President of Matisa Matériel Industriel, S.A.

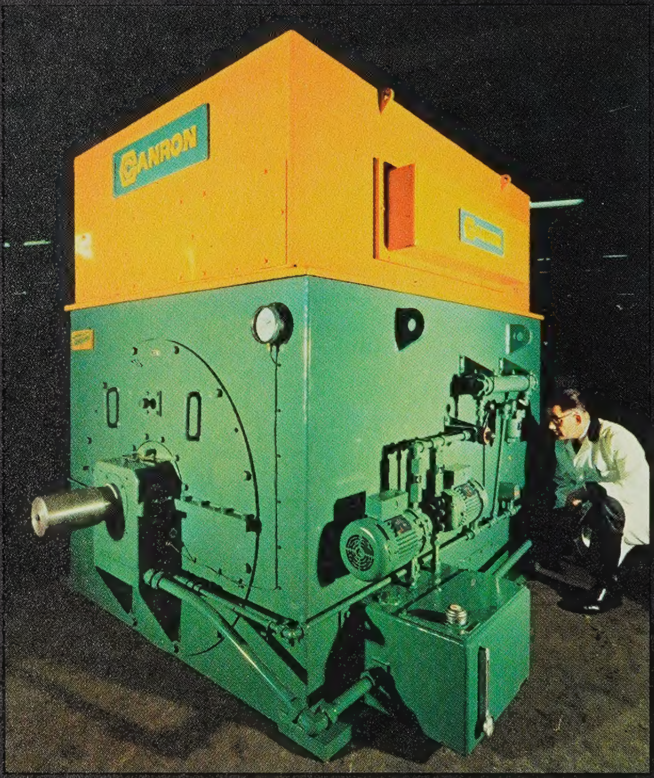
Board of Directors: It is with regret that we record the death during the past year of Mr. T. F. Rahilly, President of the company from 1951 to 1960. He was elected Chairman of the Board in 1953 and upon relinquishing that office in 1965 he was appointed Honorary Chairman. He resigned from the Board in May 1969. The high esteem in which he was held by his colleagues and elsewhere in the business world was a tribute to his many achievements. The vacancy on the Board was filled by the election of Mr. John C. Gilmer who is President of Canadian Pacific Air Lines Limited and a director of a number of other companies in Canada.
Two of your Directors will be affected by the retirement provisions of the company's By-laws so will not be eligible for re-election at the Annual General Meeting on April 8, 1970. Mr. H. E. McKeen was first elected a Director in 1953 following the acquisition of the company he founded, Electric Tamper & Equipment Company of Canada Limited. He has been a Senior Vice-President and member of the Executive Committee since 1960. His excellent judgment contributed immeasurably to the deliberations of the Board and his able counsel will be greatly missed by the management.
The Honourable F. Philippe Brais has served the company with distinction as a member of the Board for eight years. The Directors wish to record their appreciation for his many valuable contributions.
The Directors wish to express sincere appreciation of the fine co-operation and efforts of all employees throughout the year.

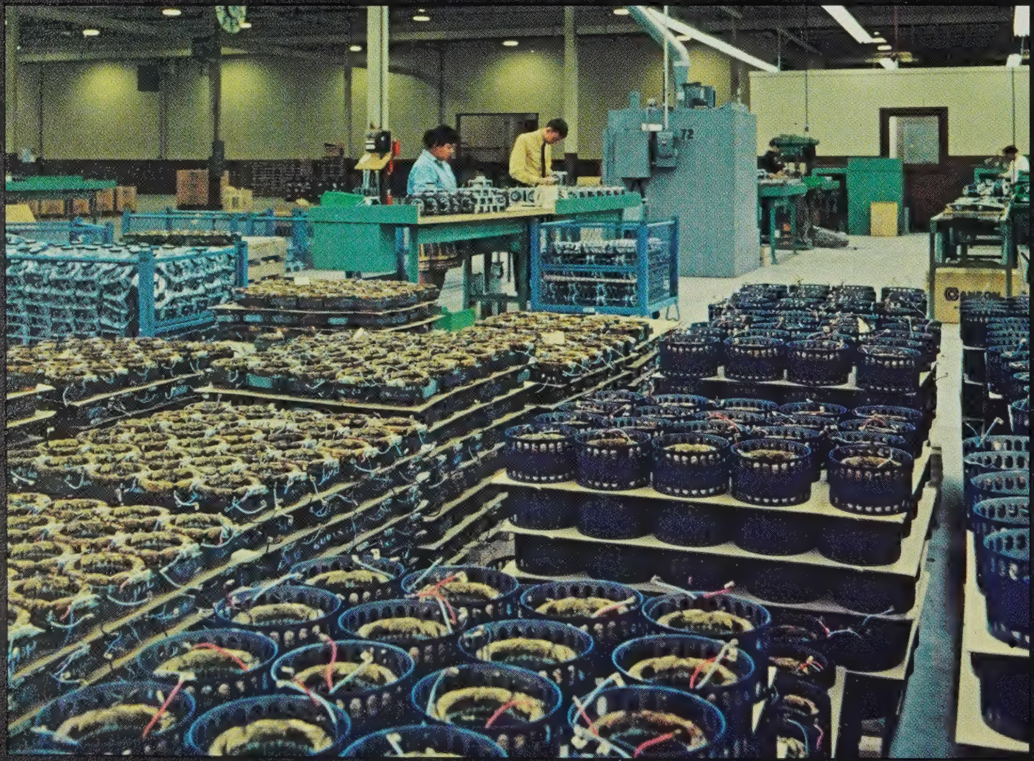
On behalf of the Board,

Chairman and President

Montreal, Que., March 16, 1970

Review of the year





Operations

Electrical equipment

Although volume of business remained at a high level throughout 1969, steeply rising production costs and constant selling prices adversely affected operating results.

A new line of high speed motors was developed for centrifugal pumps used in electric power generating stations. The first unit manufactured, a 5,300 HP Boiler Feed Pump motor, was the largest so far produced by the company.

Additional orders for export were received for small generators. One model, rated at 10 KW, 3,600 RPM, has been in production for three years, bringing the total number manufactured to over 20,000 units.

Construction of the new electric motor plant at Napanee, Ontario, started in late 1968 and was put in operation by mid-1969. This facility produces small motors of a completely new design. The plant is expected to be operating at full capacity by the middle of 1970 and it is anticipated that it will give the company a strong position in the Canadian small motor industry.

Following the success of a repair and service centre opened in Toronto two years ago, a similar operation has been established in Montreal.

The 1969 year-end backlog of orders showed an improvement over 1968 and somewhat higher sales levels are anticipated for the coming year.

Foundry products

Sales volume of brakeshoes and alloy castings was maintained at a good level during 1969. Ingot mould production suffered from a three-month shut-down of the plant as a result of strikes in the steel industry. Work stoppages in the nickel and construction industries seriously upset shipments and plant schedules in the second half of the year.

Export sales of ingot moulds and waterworks castings reached a high level. Production on the cast iron tunnel segments for the Toronto Transit Commission subway extension progressed satisfactorily. Deliveries for this major contract will continue into 1971.

Installation of new equipment during 1969 was primarily aimed at the improvement of working conditions and dust suppression in the plants. An intensive programme for air pollution control is planned for 1970.

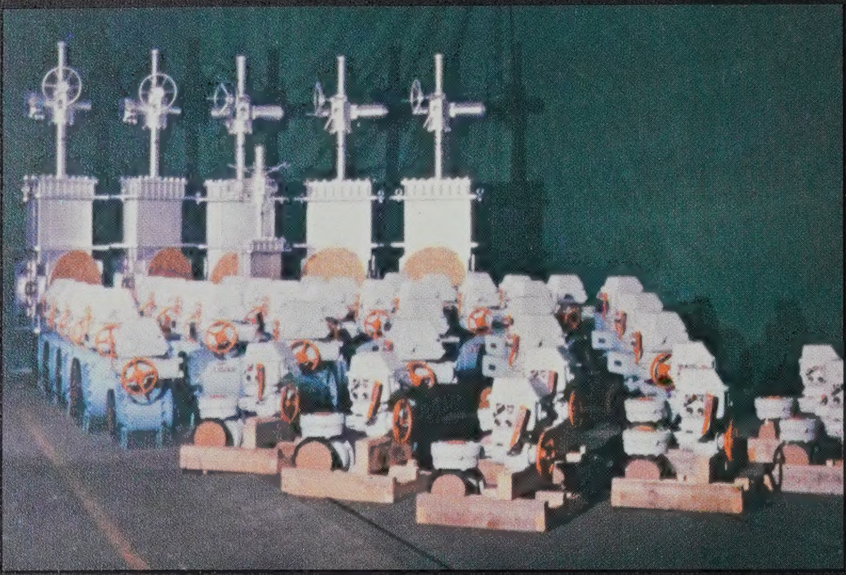
There is a good backlog of orders for the domestic market and increased demand for foundry products is anticipated for 1970.

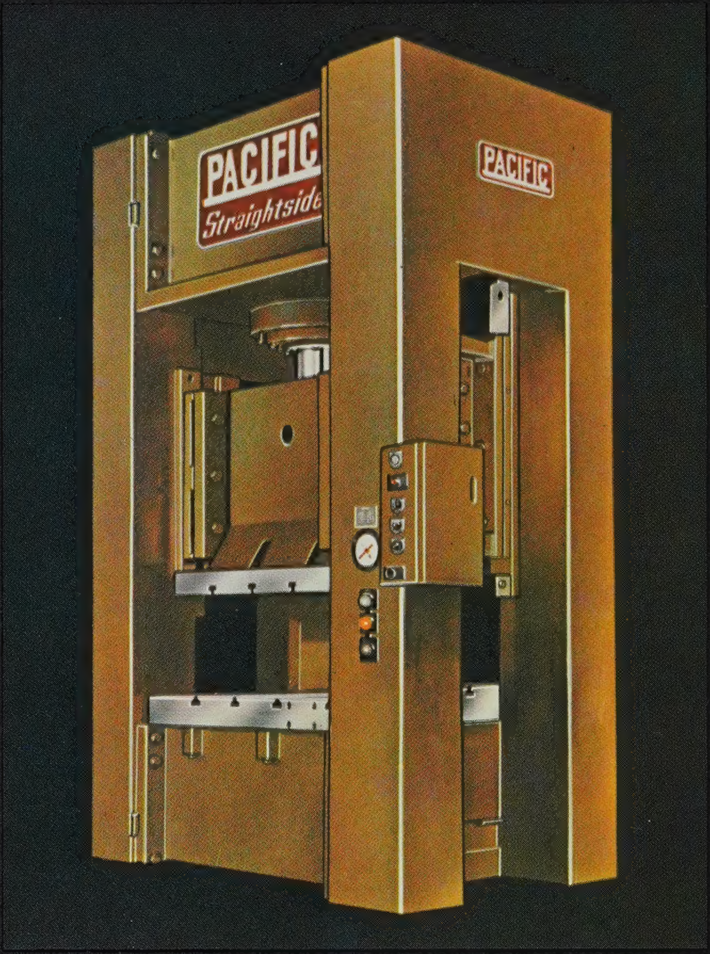
Top left: 5,300 HP, 3,600 RPM boiler feed pump motor, the largest "Tamper" motor so far produced.

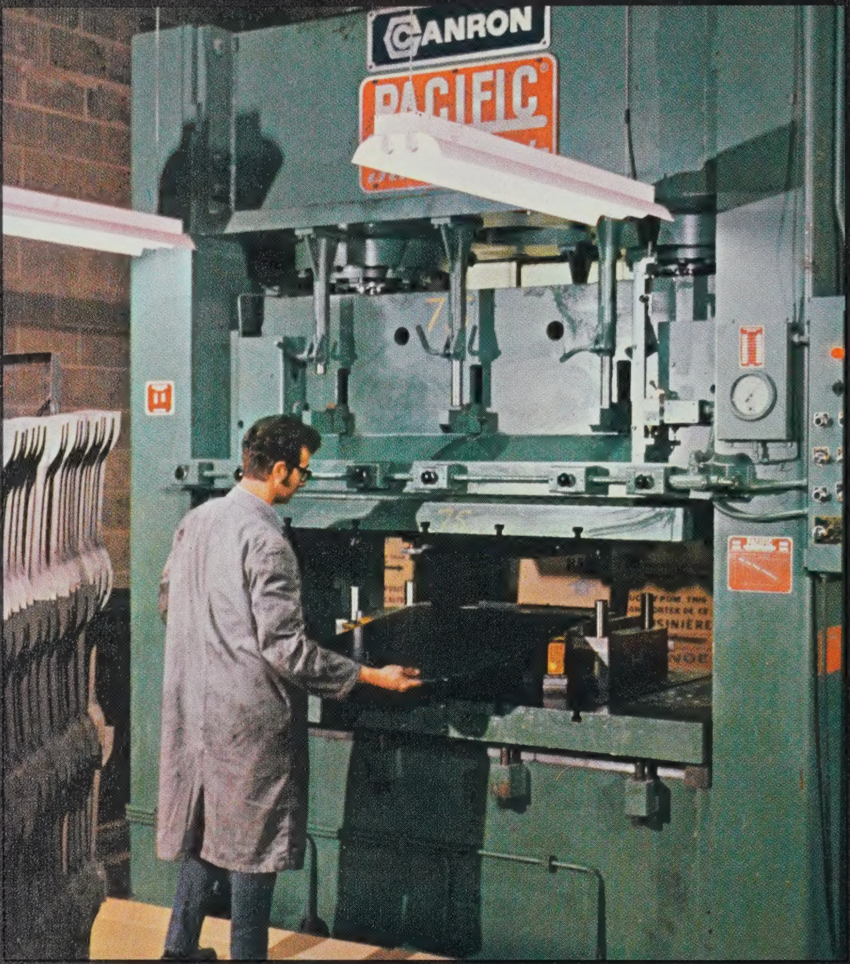
Top right: 1,750 HP, 4,160 volts 225 RPM synchronous motor for driving ore grinding ball mill.

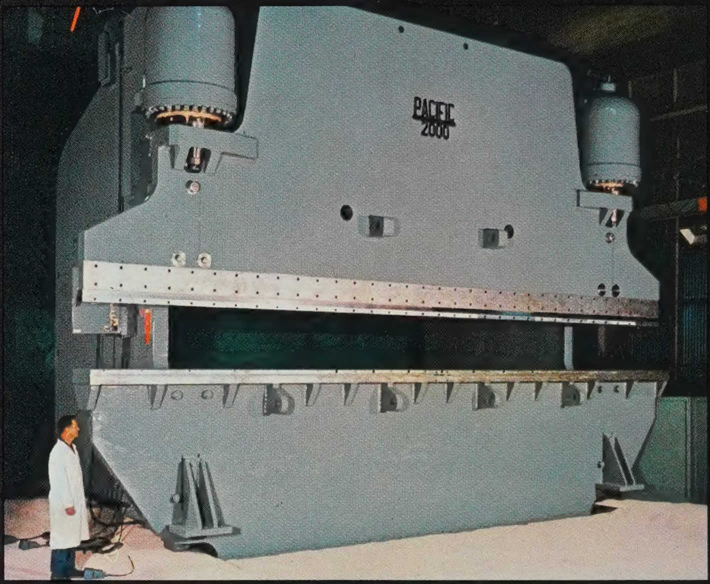
Bottom left: Stators for fractional horsepower motors at the new Napanee plant.

Bottom right: 8′ x 10′ mine cage built for Denison Mines, Limited. The seven-ton cage is constructed of steel frame with aluminum sheathing.




PACIFIC
Straightside
PACIFIC


CANRON
PACIFIC


PACIFIC
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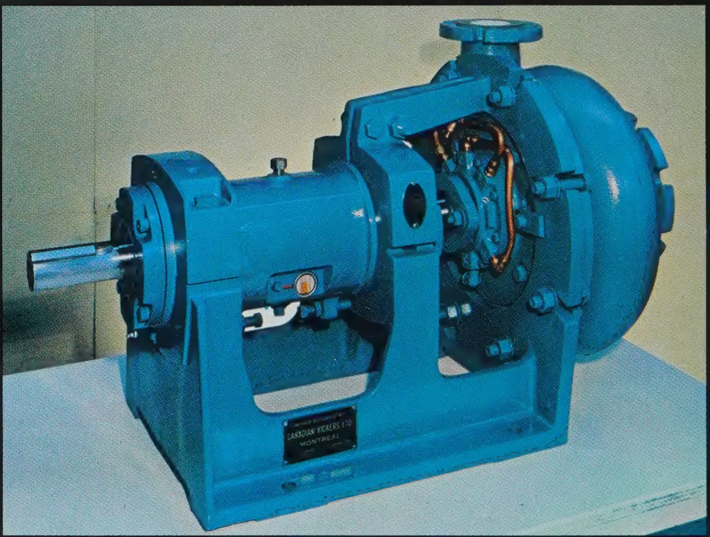


Top left: At the rear, Grove G-4 gate valves for a Montreal Pipe Line project. In front, Grove ball valves for Gulf Oil's Point Tupper project at Cape Breton Island.

Top right: "Pacific" Model M, hydraulic single cylinder, straight-side press. A new line available from 100 to over 1,000 tons.

Center left: 300-ton "Pacific" straightside press in operation at Beach Foundry, Limited, Ottawa.

Center right: Over 34 feet long, the huge 2,000-ton "Pacific" hydraulic press brake bends and forms plate up to 3″ thick.

Bottom left: Ductile Ni-Resist castings for exhaust pipes used on diesel engine locomotives.

Bottom right: New heavy duty slurry pumps, designed and manufactured by Canadian Vickers Limited, incorporate Canron Domite CM castings to meet extreme abrasive conditions.

Machinery and mechanical equipment

The value of orders booked in 1969 exceeded previous year. Steadily increasing demand for mechanical presses and additions to our range of hydraulic presses are substantially widening the company's markets for these products.

During 1969 the primary metals producing industries, particularly steel, reinstated a number of expansion projects. A satisfactory share was obtained of both domestic and export business. Included in the latter was a contract for a 64″– 4 High Cold Rolling Aluminum Mill for India to be shipped in 1970. This mill will incorporate many new features designed by Canron engineers.

Two new product lines were added during 1969. Under an exclusive arrangement with Straub Kupplungen of Switzerland, a radically new concept in pipe couplings will be manufactured and sold in Canada, United States and the Caribbean.

Also, under a licensing agreement with International Harvester Company, Solar expansion joints will be manufactured for sale in Canada.

With the demand for wood pulp approaching the available production capacity in the industry, orders for pulp mill machinery are expected in 1970. However, participation by Canadian manufacturers with the experience and capability to supply this equipment may be adversely affected by foreign financing of such projects.

The company is maintaining its position in the expanding Canadian oil and gas markets for valves, regulators and associated products.

In spite of severe anti-inflationary controls in the United States, sales of Pacific Press equipment were maintained at a satisfactory level in 1969. Two recently-introduced products gained wide acceptance in the metalworking industry, making an important contribution to the success of the year's operations. These were the highly versatile "Pressformer" presses which range from 150 to 1,000 tons capacity, and the 150 to 2,000 tons, two-cylinder "Straightside" presses. Also developed in 1969 were the "Ramdozer", a horizontal straightening press, and several new hydraulic components.

The new single cylinder "Straightside" press with capacities of 100 to 1,000 tons for use in all metalworking industries is another promising addition to the "production-oriented" lines which have proved so successful in the past year.

Among many large machines shipped was a 2,000-ton press brake, over 34 feet in length, to form steel plate up to three inches thick.

Pipe

Restrictions on provincial and municipal spending affected waterworks projects and domestic sales of iron and concrete pipe remained at approximately the same level as last year.

There was no increase in market activity in Quebec. Product demand rose in the Atlantic provinces although sales in Newfoundland fell short of expectations. Two noteworthy projects, at Caraquet, New Brunswick, and Westville, Nova Scotia, contributed significantly to the higher volume of iron pipe sold in this region. A sales office was opened in Dartmouth, Nova Scotia.

Operations in the West and in Ontario were the least affected by financing problems. The Ontario Water Resources Commission Peel County project and further projects in Windsor and Mississauga contributed to a rise in sales of Hyprescon pipe and fittings. In both Ontario and the Western provinces, the trend away from grey iron pipe and towards ductile iron pipe has been especially marked.

Export sales were down in 1969 due to the completion of the large Nassau project and to increased competition for the smaller volume of business available. The large portion of the company's exports consisted of ductile iron pipe to the West Indies and grey iron fittings to the United States.

Sales of plastic pipe were adversely


ECONOMATIC

Top left: Matisa track recording trolley records general conditions of track to prepare and check maintenance programmes.

Top right: Matisa ballast cleaner extracts and cleans up to 654 cubic yards of ballast per hour.

Center left: The Economatic, a newly designed tamping unit.

Center right: Ballast equalizer equipped with snow plow and auger snow blower.

Bottom left: Plastic drain, waste and vent pipe installed in a home under construction.

Bottom right: "Hyprescon" concrete pressure pipe installation at a nuclear power generating station.

affected by the strikes in the construction industry and results for the year were below expectations.
Throughout 1969, there was a substantial increase in the demand for small diameter PVC pressure pipe for municipal water systems.
Municipal and building codes have imposed restrictions on certain plastic pipe applications although a number were removed in 1969. During the year, product lines were broadened to include pressure pipe, DWV pipe, sewer pipe and electrical ducting.
There is a marked upward curve in the demand for plastic pipe but the high level of productive capacity in the industry creates intense competition. Prices are depressed, many below 1968 levels, while costs of materials and labour have continued to increase.
Several major domestic water pipe projects are anticipated in the year ahead and some attractive contracts are expected in export markets. An increase is predicted for 1970 in overall sales volume of pipe.

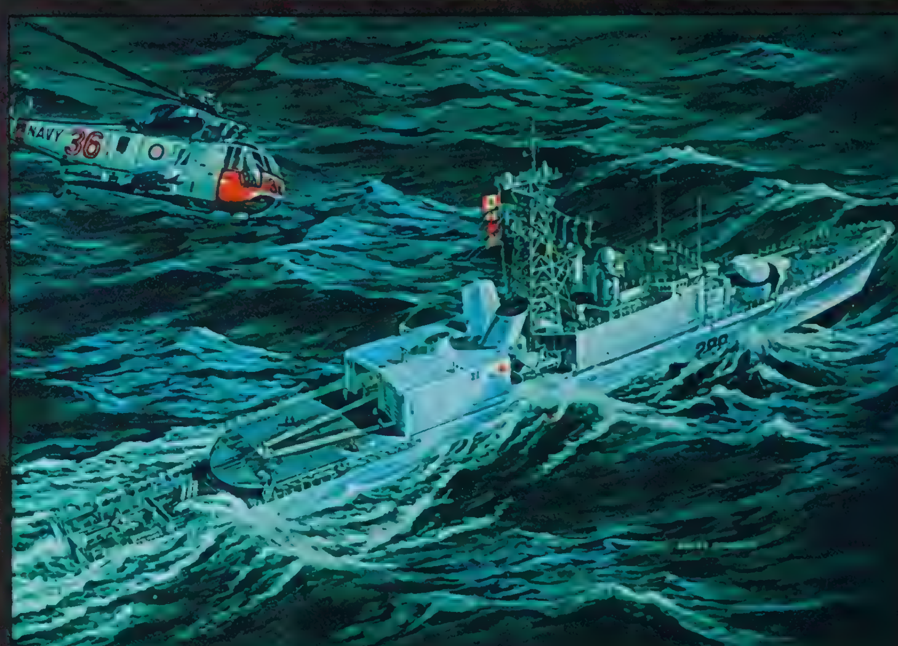
Railway track maintenance equipment

Despite keen competition and limited financing for railway track equipment in some countries, a substantial rise in sales volume was achieved.
Contracts were received from many railroads in Canada and the United States, and various equipment was shipped to Africa, Asia, Australia, Europe and South America.
In the early part of the year, the range of railway equipment was broadened by the addition of ballast equalizers, brush cutters, motor cars and various small equipment. Late in the year, the manufacturing facilities of Matisa in Europe were added to the company's existing operations in Canada and the United States. In addition, manufacturing facilities were established in Australia.
The combined range of Tamper-Matisa equipment and world-wide distribution facilities provide a broad selection of machines to meet customers' requirements.
Contracts of particular interest included the manufacture of equipment to be used in the complete rehabilitation of the Portugese Railway system. British Railways, in addition to purchasing a number of our machines, awarded a large machinery overhaul and modernization contract.
Equipment was supplied for the high quality of track maintenance required by Japan's New Tokaido Line where trains run at speeds of 155 mph.
Among new products developed at the Columbia plant were an infra-red surfacing device designed as an attachment for the Junior or Switch tampers and a medium priced tamper which will retain high quality performance by utilizing new concepts for jacking and lining track. A single-head power operated tamper was also designed and built.
A new tamper-leveller-liner and a new ballast regulator were designed and produced at the Swiss plant. A numerical analyser for determining the geometric condition of track is now available for use on the company's track recording vehicles.
1970 commenced with a good backlog of orders and the sales volume is expected to exceed that of the previous year.
Increased train speeds and higher density of traffic on most rail systems call for a corresponding increase in the use of mechanized equipment for examining, maintaining and renewing track. Prospects are excellent for continued expansion of this product group.

Structural steel

The backlog of orders at the beginning of 1969 was below normal levels. Production on a number of contracts was held up by shortages of material caused by strikes in the steel industry and further delays on many projects during the summer resulted from construction labour disputes.
Restrictive fiscal and monetary policies were responsible for the postponement or cancellation of several commercial, government and institutional projects.
Two large orders totalling 22,600 tons were received for highway inter-changes to be erected in the North West United States. Material procurement, planning and tooling for these major projects are well advanced and production will continue into 1971. Additional structural steel contracts were also obtained for a bridge in West Africa and industrial and commercial buildings in the Dominican Republic, Bermuda and Jamaica.
One of the major domestic contracts was McMaster University's Health Sciences Centre in Hamilton. This involved the supply and erection of 12,000 tons of structural steel.


WP&YR 496


NAVY 36

A joint venture of Canron and Dominion Bridge was arranged to supply and erect approximately 30,000 tons of structural steel for the 57-storey "Commerce Court" project of the Canadian Imperial Bank of Commerce in Toronto.

The Anthes-Canron consortium was awarded a structural sub-system contract for the Metropolitan Toronto School Board's Study of Educational Facilities (SEF), which involves construction of 32 schools between September 1969 and March 1971.

A by-product of the SEF project is the company's association with the Educational Building Systems group. In the years ahead, benefits are expected from the company's early experience in systems building.

The company also fabricated oil barges for Northern Transportation Company, an ore container unloading crane for the White Pass and Yukon Route, a container handling crane for the Port of Vancouver and a complete "turn-key" railway car repair facility for Pacific Great Eastern Railway.

There is a record backlog of orders at the start of 1970 and a good year is expected.

Agency sales

Railway & Power Engineering Corporation sales for 1969 showed an improvement over the previous year. A marked increase in instrumentation and electronic sales was achieved through the introduction of new product lines. Production of Calvert bus duct, an electrical power distribution system, continued to expand and prospects for additional sales volume are encouraging.

There was good demand for the division's transportation items and sales to the railroad and transit industries are expected to continue at substantial levels.

Overall sales of specialty steels and other related products increased. Additional market areas were covered in the promotion of basic plastic warehouse shapes and engineered products.

The order backlog at December 31, 1969 was comparable to that of the previous year. For 1970 an increase in sales volume is expected with the largest gains in the industrial and technical product groups.

Personnel

The continuing expansion and diversification of the company's operations, as well as the effects of an intensely competitive labour market, required increased emphasis on the selection, placement and training of employees and, in particular, on the development of managerial skills.

Nine collective agreements, each for a two-year period, were successfully concluded in 1969. Wages were again the most contentious issue and settlements were costly, though in line with industry patterns. A strike occurred at Pacific Press & Shear Corporation in November which lasted two weeks. All other settlements were arrived at after protracted bargaining but without work stoppages.

Safety education and the provision of safe working conditions for employees continue to be major objectives.

As part of the systematic planning of employee benefits, the retirement plan for employees in Canada was improved, effective January 1, 1970, by increasing future service benefits and raising the earnings maximum for the fully paid portion of the plan. These changes indirectly raised related benefits such as widows' and orphans' income and reduced costs to many employees.

The closing of the structural steel plant at Calgary in mid-year made necessary the release of 169 employees. Severance pay related to length of service was provided in accordance with company policy.

The group health insurance plan was amended during the year to provide for integration with provincial medicare programmes as they were established and to ensure that employees would have the same or improved benefits.

Top left: The Lapointe bridge in the Township of South Plantagenet, Ontario.

Bottom left: Alberta Government Telephone Toll building, Edmonton.

Top right: McMaster University Medical centre, Hamilton, Ontario.

Center right: Gantry dumper for unloading and dumping ore containers for the White Pass and Yukon Route.

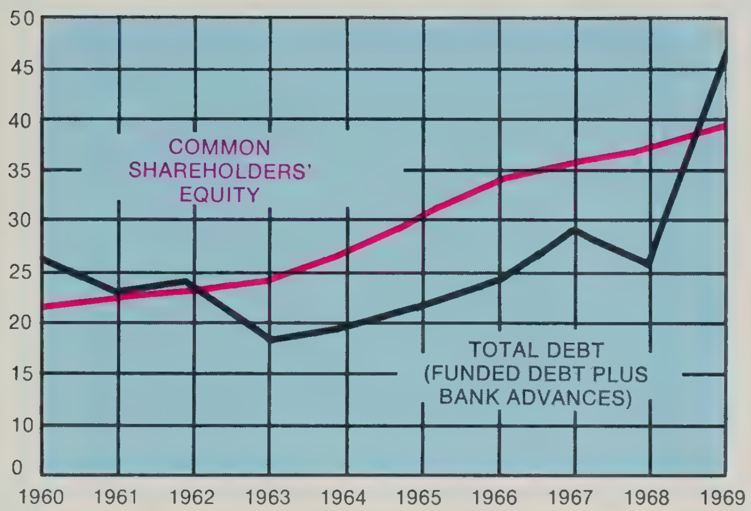
Bottom right: Helicopter-carrying antisubmarine destroyer. The gear-boxes and engines are installed on "Lord" rubber vibration attenuating mounts supplied by Railway & Power.

Finance

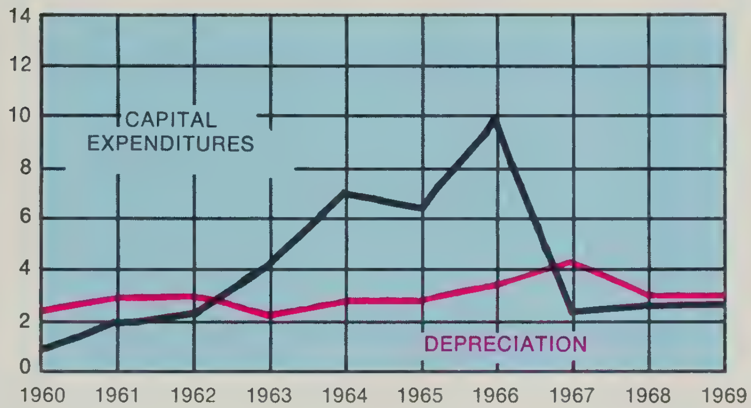
There was a large increase in the company's assets during the year 1969. The total figure of $117,658,000 at December 1969 includes all assets and liabilities of Matisa Matériel Industriel S.A. which have been consolidated in the accompanying financial statements. Sales and profits of Matisa were not included, however, as the purchase of this company was not completed until late in the year.
The increase of $10,047,000 in accounts receivable also draws attention to the very tight conditions and high cost money. We are finding that customers are drastically extending payment periods and, while bad debt losses have remained low, the ageing of accounts receivable has increased. The $11,752,000 increase in inventories indicates the investment necessary to complete the large backlog of orders which amounted to $86,000,000 at December 31.
The balance sheet also reports deferred receivables separately. The amount of $2,475,000 includes some short term mortgages, but the major portion involves payments for export sales scheduled over medium term periods and protected by export credit insurance.
Bank loans at $21,111,000 show a large increase. These have been necessary to finance the slower receivables and higher inventories. Very considerable efforts are continuing to reduce the high cost of investment in these areas.
Depreciation charged to operations in 1969 totalled $3,217,000. This is slightly lower than in 1968 and the current expenditures for normal replacement of fixed assets. The increase in the net fixed assets to $34,725,000 shown on the balance sheet includes normal additions and disposals as well as the consolidation of net fixed assets arising from acquisitions.

A loss was taken on the closing of the Calgary structural steel plant through re-scheduling of work, selling off inventory and severance payments made to employees. The fixed assets were sold at a small net gain over book value. The sale of the Winnipeg structural steel plant involved another loss. The Scarborough property which became surplus when our Toronto sewer pipe operation was closed was sold at a substantial profit over book value. The net result from the disposal of these assets was a profit of $493,000 recorded as an item of extraordinary income on the financial statements. During February 1970 the Dartmouth structural steel plant was sold as a going concern, and the full book value of this operation was realized.
The cost of borrowed money increased and Canron's effective over-all interest cost averaged 7.75% in 1969, approximately a full point higher than in 1968.
During 1969, 726 of the 4¼ % preferred shares were purchased on the open market at an average price of $78.00.
The schedule of funded debt includes the funded debt of Matisa, all of which was outstanding at the time of acquisition.

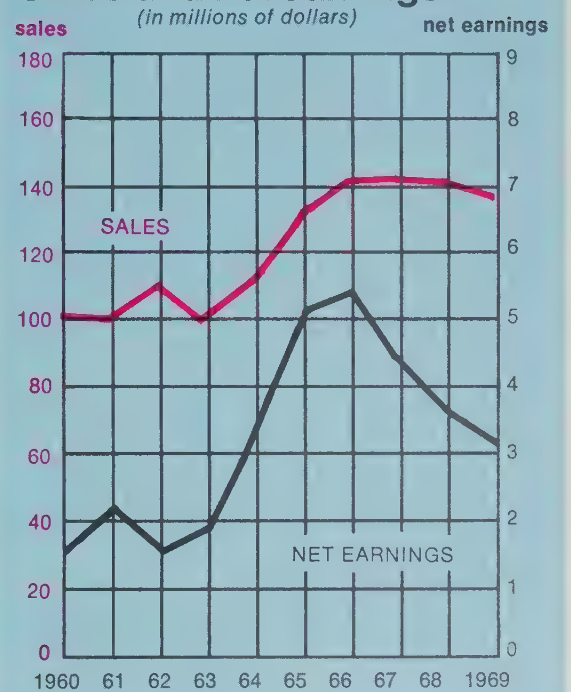
Common shareholders' equity and total debt
(in millions of dollars)



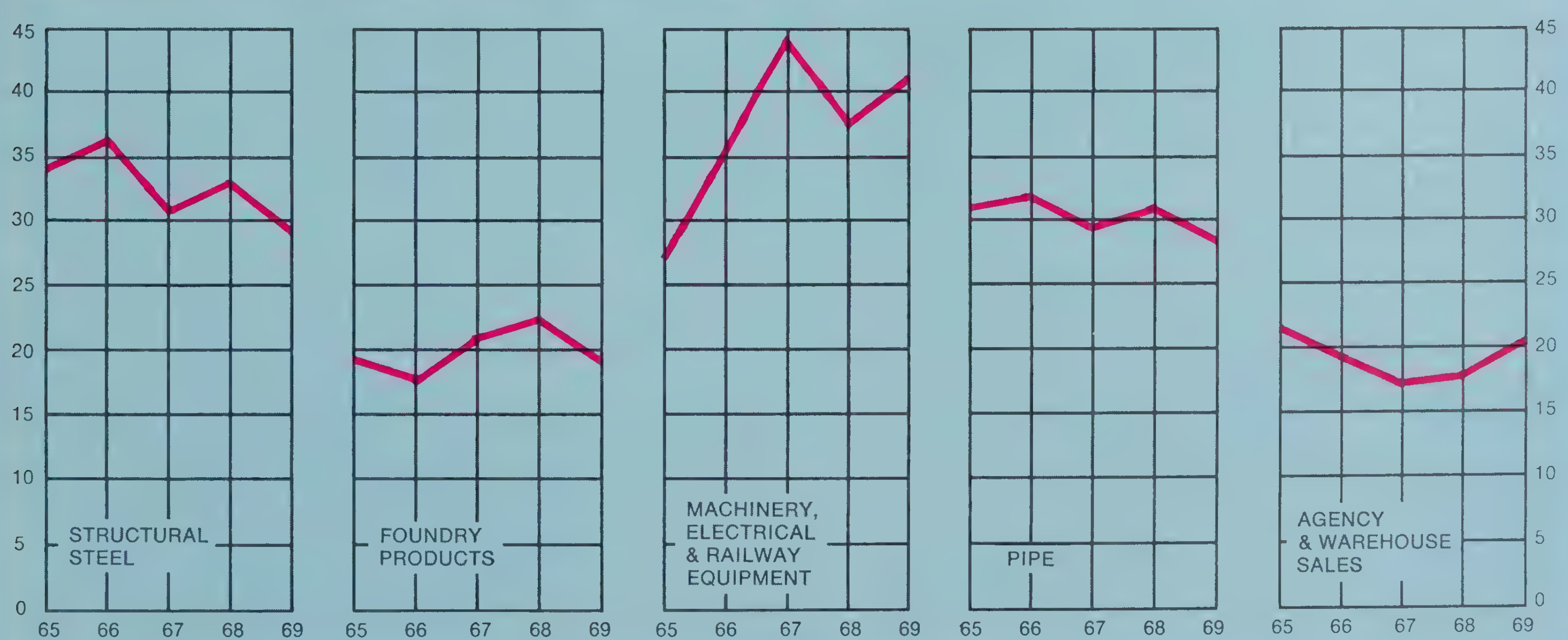
Capital expenditures and depreciation
(in millions of dollars)



Sales and net earnings
(in millions of dollars)



Sales by product classification *(in millions of dollars)*



Auditors' report to the shareholders

McDONALD, CURRIE & CO.
CHARTERED ACCOUNTANTS

INTERNATIONAL FIRM
COOPERS & LYBRAND

TELEPHONE (514) 875-5140
630 DORCHESTER BOULEVARD WEST
MONTREAL 101; QUEBEC, CANADA

February 19, 1970

To the Shareholders of
Canron Limited

We have examined the consolidated balance sheet of Canron Limited and subsidiary companies as at December 31, 1969 and the consolidated statements of earnings, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the consolidated financial position of the companies as at December 31, 1969 and the consolidated results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

McDonald, Currie & Co.

Chartered Accountants

Consolidated statement of earnings
for the year ended December 31, 1969

	(in thousands of dollars) 1969	1968
Sales	**$138,088**	$141,042
Costs and expenses		
Cost of sales, selling and administrative expenses	**128,518**	128,908
Directors' fees and remuneration of officers who are directors	**291**	314
Interest on funded debt	**1,424**	1,505
Amortization of debenture discount	**36**	37
Amortization of patents	**251**	250
Depreciation of property, plant and equipment	**3,217**	3,324
	133,737	134,338
	4,351	6,704
Other income		
Income from investments	**15**	27
Profit on disposal of fixed assets and investments	**113**	114
Profit on redemption of preferred shares	**16**	48
	144	189
	4,495	6,893
Income taxes	**1,985**	3,190
Earnings before extraordinary item	**2,510**	3,703
Extraordinary item (note 5)	**493**	—
Net earnings for the year	**$ 3,003**	$ 3,703

Consolidated statement of retained earnings
for the year ended December 31, 1969

	(in thousands of dollars) 1969	1968
Balance — beginning of year	**$ 28,541**	$ 27,497
Net earnings for the year	**3,003**	3,703
	31,544	31,200
Excess of cost of shares over net assets of subsidiaries acquired during the year	**—**	75
Dividends —		
On 4¼% preferred shares	**86**	94
On common shares	**2,490**	2,490
	2,576	2,659
Balance — end of year	**$ 28,968**	$ 28,541

See accompanying notes on pages 20 and 21.

Consolidated balance sheet

as at December 31, 1969

ASSETS

	(in thousands of dollars) 1969	1968
Current assets		
Cash	**$ 855**	$ 961
Government guaranteed bonds — at cost (quoted value 1969 — $177,000; 1968 — $211,000)	**185**	225
Accounts receivable	**36,794**	26,747
Inventories (note 2)	**39,325**	27,573
Prepaid expenses	**511**	507
Total current assets	**77,670**	56,013
Fixed assets (note 3)		
Property, plant and equipment — at cost	**78,923**	68,151
Accumulated depreciation	**44,198**	39,635
	34,725	28,516
Other assets		
Deferred receivables	**2,475**	978
Investment in shares of other companies — at cost	**28**	28
Patents — at cost less amortization	**2,336**	2,587
Unamortized debenture discount	**424**	460
	5,263	4,053
	$117,658	$ 88,582

Signed on behalf of the board

H. J. Lang Director

M. W. Mackenzie Director

LIABILITIES

	(in thousands of dollars) 1969	1968
Current liabilities		
Bank advances	**$ 21,111**	$ 3,406
Accounts payable and accrued liabilities	**24,427**	14,847
Dividends	**644**	645
Income taxes	**1,142**	1,642
Funded debt maturing within one year	**3,249**	2,730
Total current liabilities	**50,573**	23,270
Deferred income taxes	**5,600**	6,100
Funded debt — not maturing within one year (see schedule)	**22,000**	20,081
	$ 78,173	$ 49,451

SHAREHOLDERS' EQUITY

	1969	1968
Preferred shares (note 4)		
Authorized —		
100,000 preferred shares of $100 par value		
Issued and fully paid —		
19,784 4¼ % cumulative convertible redeemable preferred shares 1956 series	**1,978**	2,051
Common shares		
Authorized —		
6,000,000 common shares of no par value		
Issued and fully paid —		
2,489,622 common shares	**8,539**	8,539
Retained earnings	**28,968**	28,541
	39,485	39,131
	$117,658	$ 88,582

See accompanying notes on pages 20 and 21.

Consolidated statement of source and application of funds

for the year ended December 31, 1969

	(in thousands of dollars) 1969	1968
Funds were provided from:		
Net earnings for the year	**$ 3,003**	$ 3,703
Depreciation and amortization charges not requiring the outlay of funds	**3,504**	3,611
	6,507	7,314
Increase in funded debt—arising from acquisition of subsidiaries	**5,168**	—
Reduction of investment in other companies	**—**	49
	11,675	7,363
Funds were applied to:		
Fixed assets—		
Net additions	**2,801**	2,601
Additions arising from acquisition of subsidiaries	**6,625**	189
Deferred income taxes	**500**	200
Funded debt maturing within one year	**3,249**	2,730
Par value of preferred shares redeemed	**73**	353
Deferred receivables	**1,497**	978
Dividends on preferred and common shares	**2,576**	2,584
Excess of cost of shares over net assets of subsidiaries	**—**	75
	17,321	9,710
Decrease in working capital	**5,646**	2,347
Working capital — beginning of year	**32,743**	35,090
Decrease in working capital	**5,646**	2,347
Working capital — end of year	**$ 27,097**	$ 32,743

See accompanying notes on pages 20 and 21.

Schedule of funded debt
as at December 31, 1969

	(in thousands of dollars) 1969	1968
Debentures		
5¾% sinking fund debentures, series "B" due April 15, 1969	$ —	$ 274
4½% sinking fund debentures due August 1, 1973 Sinking fund requirements — $12,500 to $50,000 on August 1, 1969 to 1972	737	—
6¼% sinking fund debentures, series "C" due October 15, 1977 Sinking fund requirements — $375,000 on October 15, 1958 to 1976	3,000	3,375
5½% sinking fund debentures due December 15, 1983 Sinking fund requirements — $50,000 on December 15, 1974 to 1982	1,250	—
6¾% sinking fund debentures, series D due May 15, 1987 Sinking fund requirements — $600,000 on May 15, 1970 to 1979 $800,000 on May 15, 1980 to 1986	15,000	15,000
	19,987	18,649
Bank loans		
Term bank loans due in equal annual instalments on June 30, 1969 and 1970	2,081	4,162
Mortgages		
5.05% first mortgage due December 1977	1,785	—
5¼% second mortgage due July 1979	1,100	—
3% — 5¾% mortgage loans due 1973 to 1990	296	—
	3,181	—
	25,249	22,811
Funded debt		
Maturing within one year	3,249	2,730
Not maturing within one year	22,000	20,081
	$ 25,249	$ 22,811

Notes to consolidated financial statements

for the year ended December 31, 1969

1. **Principles of consolidation**

(a) The consolidated financial statements include the accounts of all subsidiaries. Earnings of subsidiaries acquired late in 1969 have been treated as pre-acquisition earnings and have not been included.

(b) The accounts of foreign subsidiaries have been translated from other currencies as follows:

Current assets and liabilities at rates of exchange at the balance sheet date; long-term assets and liabilities and shareholders' equity at rates of exchange applicable at the time of acquisition or when the debt was incurred; income and expenses other than depreciation and amortization at the average rates of exchange during the year.

2. **Inventories**

The inventories are valued at the lower of cost or net realizable value and comprise:

	1969	1968
Finished products	**$14,239,481**	$10,612,405
Work in process	**18,311,115**	9,089,851
Raw materials and supplies	**18,127,216**	11,446,690
	50,677,812	31,148,946
Less: Progress billings	**11,352,844**	3,576,024
	$39,324,968	$27,572,922

3. Property, plant and equipment

	1969			1968
	Cost	Accumulated depreciation	Net	Net
Land	$ 3,755,978	$ —	$ 3,755,978	$ 2,855,801
Buildings	28,211,538	13,007,914	15,203,624	12,566,980
Machinery and equipment	46,955,427	31,190,407	15,765,020	13,092,937
	$78,922,943	$44,198,321	$34,724,622	$28,515,718

4. Preferred shares

During the year, preferred shares of a par value of $72,600 were redeemed. The retained earnings include an amount of $2,297,100 which has been set aside as required by the Canada Corporations Act, equal to the par value of the preferred shares redeemed to date.

The conversion privilege of the 4¼ % cumulative convertible redeemable preferred shares 1956 series has terminated.

5. Extraordinary item

Extraordinary item is the net gain on property sold following the closing of three plants during the year.

6. Subsequent event

Subsequent to December 31, 1969 the company entered into an agreement to acquire certain fixed assets, inventories and accounts receivable of another company for approximately $9,000,000.

Statistical review

(Thousands of dollars)

	1969	1968	1967	1966
Sales	$138,088	$141,042	$142,011	$142,015
Income Taxes	$ 1,985	$ 3,190	$ 4,230	$ 5,175
Net Earnings	$ 3,003	$ 3,703	$ 4,402	$ 5,428
Preferred Share Dividends	$ 86	$ 94	$ 108	$ 121
Common Share Dividends	$ 2,490	$ 2,490	$ 2,490	$ 2,454
Net Earnings as % of Sales	2.2	2.6	3.1	3.8
Net Earnings as % of Common Shareholders' Equity	7.8	9.7	11.8	15.4
Earnings per Common Share (dollars)	$ 1.17	$ 1.45	$ 1.72	$ 2.13
Dividends per Common Share (dollars)	$ 1.00	$ 1.00	$ 1.00	$ 1.00
Cash Flow per Common Share (dollars)	$ 2.58	$ 2.90	$ 3.46	$ 3.59
Book Value per Common Share (dollars)	$15.07	$14.89	$14.47	$13.79
Working Capital	$ 27,097	$ 32,743	$ 35,090	$ 15,723
Bank Advances	$ 21,111	$ 3,406	$ 4,711	$ 19,679
Funded Debt	$ 25,249	$ 22,811	$ 23,459	$ 4,945
Capital Expenditures	$ 2,801	$ 2,601	$ 2,109	$ 9,668
Depreciation	$ 3,217	$ 3,324	$ 4,108	$ 3,637
Common Shares Issued	2,489,622	2,489,622	2,489,622	2,489,622
Common Shareholders	4,926	5,072	5,318	5,329
Employees	5,197	5,181	5,224	5,607

1965	1964	1963	1962	1961	1960
$133,867	$112,402	$100,279	$110,009	$100,801	$101,346
$ 5,830	$ 3,720	$ 1,700	$ 1,690	$ 1,235	$ 1,725
$ 5,183	$ 3,536	$ 1,897	$ 1,642	$ 2,152	$ 1,736
$ 144	$ 162	$ 182	$ 182	$ 182	$ 182
$ 1,729	$ 1,114	$ 810	$ 810	$ 810	$ 911
3.9	3.2	1.9	1.5	2.1	1.7
16.4	12.6	6.6	6.2	8.6	7.2
$ 2.06	$ 1.38	$ 0.70	$0.60	$0.81	$0.64
$ 0.58	$ 0.42	$ 0.33	$0.33	$0.33	$0.37
$ 3.41	$ 2.56	$ 1.65	$1.67	$1.89	$1.57
$12.58	$10.95	$10.04	$9.67	$9.40	$8.92
$ 18,238	$ 15,017	$ 18,814	$ 19,164	$ 17,562	$ 17,584
$ 16,819	$ 11,038	$ 8,678	$ 14,172	$ 12,449	$ 14,018
$ 5,592	$ 7,937	$ 8,782	$ 9,627	$ 10,472	$ 12,267
$ 6,096	$ 6,876	$ 4,003	$ 2,339	$ 1,991	$ 1,418
$ 3,292	$ 2,874	$ 2,290	$ 2,586	$ 2,613	$ 2,266
2,441,622	2,435,622	2,429,622	2,429,622	2,429,622	2,429,622
4,430	4,404	5,062	5,231	5,327	4,850
5,261	4,240	4,210	4,725	4,670	5,172

CANRON LIMITED

Divisions and subsidiaries

Eastern Structural Division, Rexdale, Ont.	W. S. CULLENS, General Manager Plants at Rexdale, Ottawa, Ont.
Electrical Division, Lachine, Que.	K. C. HAGUE, General Manager Plants at Lachine, Que.; Napanee, Ont.
Foundry Division, Toronto, Ont. **The Wabi Iron Works Limited,** New Liskeard, Ont.	A. G. HYDE, General Manager Plants at Hamilton (2), Toronto, St. Thomas, New Liskeard, Cobalt, Ont.
Matisa Matériel Industriel, S.A., Crissier, Switzerland. **Matema S.p.A.,** Palomba, Italy. **Matisa Equipment Corp.,** Chicago, Ill.	B. BENZ, President Plants at Crissier, Renens; Palomba; Chicago.
Mechanical Division, Lachine, Que.	D. J. LaFONTAINE, General Manager Plant at Trois-Rivières, Que.
Pacific Press & Shear Corp., Oakland, Calif.	E. W. PEARSON, President Plant at Mount Carmel, Ill.
Pipe Division, Ville d'Anjou, Que.	J. G. DUNLOP, General Manager Plants at Ville d'Anjou, Trois-Rivières, Que.; Rexdale, Toronto, Ont.
Plastic Pipe Division, Ville d'Anjou, Que. **Extruded Plastic Products Limited,** Rexdale, Ont. **Northern Resins Limited,** Berthierville, Que.	I. C. FERRIER, General Manager Plants at Rexdale, Ont.; Berthierville, Que.
Railway Division, West Columbia, S.C. **Tamper Inc.,** West Columbia, S.C. **Tamper (Australia) Pty. Ltd.,** Melbourne, Australia	J. K. STEWART, President Plants at West Columbia, S.C.; Lachine, Que.; Melbourne, Australia.
Railway & Power Engineering Corp., Ltd., Montreal, Que. **C. M. Lovsted & Co. (Canada) Limited,** Vancouver, B.C.	C. M. THOMSON, Vice-President and General Manager Warehouses: New Glasgow, N.S.; Montreal, Que.; Toronto, Hamilton, Ont.; Winnipeg, Man.; Edmonton, Alta.; Vancouver, B.C.
Western Bridge Division, Vancouver, B.C.	H. L. WARNER, General Manager Plants at Vancouver, B.C.; Edmonton, Alta.

CANRON LIMITED

Products

Electrical equipment
Alternators
Electric Motors
Electronic Scales
Generators D.C.
Variable Speed Drive Systems

Foundry products
Ingot Moulds
Industrial Wheels
Tunnel Liners
Grey Iron Castings
Grinding Balls
Grinding Billets
Mill Liners
Mine Cages
Mine Cars
Mine Skips
Alloy Iron Castings
Ductile Iron, Domite CM,
Ni-Resist, Ductile Ni-Resist,
Ni-Hard, High Chrome Alloy

Machinery and Mechanical equipment
Hydraulic Press Brakes
Hydraulic Presses and Shears
Mechanical Presses
Steel Mill Machinery
Pulp and Paper Mill Machinery
Rubber and Plastics Machinery
Custom Machinery
Speed Reducers and Increasers
Gear Units
Valves
Expansion Joints

Pipe products
Grey and Ductile Iron Pipe
Concrete Pressure Pipe
Sewer and Culvert Pipe
Plastic Pipe
Fittings
Municipal Castings
Hydrants
Sluice Gates
Couplings

Railway Track Maintenance equipment
Fully Automatic Ballast Tampers
Power Tamping Jacks
Track Liners
Switch Tampers
Spike Pullers and Drivers
Cross-tie Renewers
Rail Bolters, Drills and Lubricators
Snow Blowers
Ballast Cleaners, Regulators
Ramming Machines
Track Laying and Lifting Equipment
Rail Welding and Reconditioning Equipment
Track Recording Cars

Structural products
Structural Steel for Buildings and Bridges
(fabrication and erection)
Steel Joists
Warehouse Steel
Towers
Hydraulic Gates
Bulk Loading Terminals
Conveyor Systems
Microwave Structures
Tanks and Plate Work
Shipping Containers
Galvanizing
Reinforcing Bars

Sales Agency products
Rail, Truck, Bus and Aviation Products
Stainless Steels
Instrumentation and Electronic Products
Hydraulic and Pneumatic Products
Vibration Absorbers
Materials Handling Equipment
Valves
Trackwork and Related Supplies
Air Moving and Conditioning Equipment
Plastics

CANRON
LIMITED

CANRON
LIMITED

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

The Annual General Meeting of Shareholders of Canron Limited will be held on Wednesday, March 26, 1969, in Le Salon Viger B, Le Château Champlain Hotel, Montreal, Quebec, at 11:00 A.M. for the purpose of:

(1) receiving and, if deemed advisable, approving the 1968 Consolidated Financial Statements and the Auditors' Report thereon;

(2) considering and, if deemed advisable, sanctioning, with or without modification, By-law No. 53 amending By-law Two with respect to quorum, voting rights and proxies at meetings of shareholders, and amending By-law Three with respect to qualifications and powers of Directors;

(3) electing Directors;

(4) appointing Auditors; and

(5) transacting such other business as may properly come before the Meeting.

BY ORDER OF THE BOARD,
P. M. DRAPER
Secretary

MONTREAL, Que., March 5, 1969.

(It is important that your shares be represented at the above Meeting. If you are unable to attend, please sign and return the enclosed proxy promptly.)

INFORMATION CIRCULAR

This Information Circular is furnished in connection with the solicitation by the management of Canron Limited (the "Company") of proxies to be used at the Annual General Meeting of the Company's shareholders to be held on March 26, 1969. The expenses of the solicitation will be borne by the Company.

APPOINTMENT OF PROXY

A shareholder has the right to appoint a proxy to represent him at the Annual General Meeting other than the persons whose names are printed as proxies in the accompanying form of proxy, by striking out the said printed names and by inserting the name of his chosen proxy in the blank space provided for that purpose in the form of proxy.

REVOCABILITY OF PROXY

A shareholder who executes and returns the accompanying form of proxy may revoke such proxy by notice in writing to the Company at any time before it is voted.

VOTING SHARES

As of February 15, 1969, there are outstanding 2,489,622 common shares without nominal or par value of the Company. Each common shareholder of record at the time of the Annual General Meeting shall be entitled to one vote at such meeting for each common share registered in his name on the books of the Company.

ELECTION OF DIRECTORS

The Board of Directors consists of fourteen directors to be elected annually. Each director will hold office until the election of his successor unless he shall resign or his office become vacant by death, removal or other cause in accordance with the By-laws of the Company.

The persons named in the accompanying form of proxy for use at the Annual General Meeting intend to vote for the election of the nominees whose names are set forth on page 3, all of whom are now members of the Board of Directors. The management of the Company does not contemplate that any of the nominees will be unable, or for any reason will become unwilling, to serve as a director but, if that should occur for any reason prior to the election, the persons named in the accompanying form of proxy reserve the right to vote for another nominee in their discretion.

Nominees for Directors and Principal Occupation	Date became Director of Company	Approximate number of Common Shares of the Company beneficially owned, directly or indirectly, as of February 15, 1969
Douglas W. Ambridge, Honorary Chairman, Abitibi Paper Company Ltd., Manufacturer, pulp & paper products.	March 25, 1955	300
R. James Bailie, Executive Vice-President, Operations of the Company.	December 31, 1967	9,500
William J. Bennett, President, Iron Ore Company of Canada, Iron ore producer.	February 23, 1967	50
Hon. F. Philippe Brais, Q.C., Partner, Brais, Campbell, Pepper & Durand, Advocates.	April 26, 1962	600
R. Kenneth Carty, Executive Vice-President, Finance of the Company.	December 31, 1967	100
John S. Dinnick, President, McLeod, Young, Weir & Company Limited, Investment dealers.	November 24, 1964	300
Charles L. Gundy, Chairman, Wood Gundy Securities Limited, Investment dealers.	December 29, 1950	800
John G. Kirkpatrick, Q.C., Partner, Ogilvy, Cope, Porteous, Hansard, Marler, Montgomery & Renault Advocates.	April 21, 1959	950
Howard J. Lang, Chairman and President of the Company.	July 21, 1960	29,295
Maxwell W. Mackenzie, Vice Chairman of the Company.	April 17, 1961	1,000
Alan D. McCall, Chairman of the Board, Drummond, McCall & Co. Limited, Metal distributors.	April 18, 1940	3,000
H. E. McKeen, Senior Vice-President of the Company.	April 30, 1953	179,100
Thomas F. Rahilly, Honorary Chairman of the Company.	December 29, 1950	9,138
Frank H. Sherman, President, Dominion Foundries & Steel Ltd., Steel manufacturers.	February 23, 1967	10

REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

During the year ended December 31, 1968, (a) the aggregate direct remuneration paid or payable by the Company and its subsidiaries to Directors and Senior Officers was $518,667, and (b) the estimated aggregate cost of all pension benefits proposed to be paid by the Company and its subsidiaries to Directors and Senior Officers in the event of retirement at normal retirement age was $45,194. The aggregate of the future payments proposed to be made directly or indirectly by the Company and its subsidiaries pursuant to any existing plan or arrangement to its Directors and Senior officers is estimated to be $100,000 per year up to a maximum of ten years. For several years the Company has paid incentive compensation to directors, officers (including Senior Officers) and employees of the Company based on the performance of the Company during the preceding year and the respective contributions by such officers and employees to such performance. The basis of such incentive compensation is reviewed annually and there is no commitment by the Company extending beyond the year in respect of which such review is made. No amount has been specifically set aside or accrued in respect of future payments nor has the basis of future payments to Directors and Senior Officers been determined.

APPOINTMENT OF AUDITORS

McDonald, Currie & Co., chartered accountants, are the auditors of the Company and the persons named in the accompanying proxy for use at the Annual General Meeting intend to vote for the reappointment of such auditors and to authorize the Directors to fix their remuneration.

OTHER MATTERS

The management of the Company is not aware of any amendments of variations to the matters identified in the Notice of the Annual General Meeting of the shareholders or of any other matters which may properly come before the said meeting. However, if any amendments or variations or other matters should properly come before said meeting, the accompanying form of proxy confers discretionary authority upon the persons named therein to vote on such matters in accordance with their best judgment.

Dated at Montreal, Quebec, February 15, 1969.

CANRON LIMITED 1121 PLACE VILLE MARIE, MONTREAL 113, QUEBEC. TELEPHONE: (514) 866-7841

April 29, 1969

To: Canron Shareholders

At the Annual General Meeting on March 26th, we told the shareholders to expect a sharp decline in the company's sales and earnings for the first three months of 1969.

Consolidated Income and Earnings were as follows:

	Three months ended March 31, 1969	Three months ended March 31, 1968
Sales	$27,856,000	$32,150,000
Net Earnings for Period	$267,000	$ 744,000
Net Earnings per Common Share	$0.10	$0.29

The data reported above is necessarily based in part on approximations made as of the close of the respective periods and does not reflect subsequent adjustments developing during the year or in connection with the annual audit of accounts.

One reason for the unusually slow start in 1969 has been unexpected delays in the receipt of orders for large contracts which could be processed in time for shipments in the early months of the year. The other major factor has been a drastic reduction in municipal funds to purchase iron and concrete water pipe which normally accounts for a substantial amount of our sales.

The results for the first quarter and even for the first six months should not be viewed as indicative for the full year as the backlog of orders has now increased substantially.

H.J. Lang

H.J. Lang
President

CANRON

INTERIM REPORT TO SHAREHOLDERS FOR THE SIX MONTHS ENDED JUNE 30, 1969

File

To the Shareholders:

The amount of new business normally booked in the early months was slow to materialize this year and net earnings for the first six months dropped sharply. Disposal of property during this period contributed the equivalent of 23¢ per share to net profit. Since this income was not derived from regular operations it has been shown as a special item in the accompanying financial statements. New orders received in the 2nd quarter increased to such an extent that the backlog now amounts to $72 million as compared with $41 million at the beginning of the year and $50 million at June 30, 1968.

Significant changes in the sales mix of the company's product groups are proceeding as planned. A new plant to expand output of small electric motors is now in operation at Napanee, Ontario; the recent purchase of the specialty railway products line from an American company will complement our existing railroad track maintenance equipment operations; and negotiations are well advanced to acquire the majority ownership of Matisa Matériel Industriel S.A., a company with extensive manufacturing facilities in Switzerland and affiliated companies in Europe offering world-wide services for the mechanization of railway track work. These developments will add approximately $20 million to annual sales. Fabrication of structural steel will be discontinued at the Calgary plant in August and the Edmonton plant has been integrated with our Western Bridge Division as a branch operating unit.

The low level of operations in the first half and the expected slowdown in expenditures in some areas due to tight money conditions will adversely affect the financial results for the whole year. However, the present large volume of unfilled orders will assure a higher average production rate for the balance of the year and a carry-over of work into 1970. With the benefits expected from new products and acquisitions and the continuing shift away from low margin operations, the future prospects for Canron are encouraging.

H. J. Lang

Montreal, Que.,
July 25, 1969

H. J. LANG
President

Consolidated Financial Summary six months ended June 30

(In thousands of dollars)

Statement of Earnings	**1969**	1968
Sales	**$63,537**	$70,111
Costs and expenses	**61,512**	66,557
	2,025	3,554
Other income	**9**	122
	2,034	3,676
Income taxes	**915**	1,764
	1,119	1,912
Special items	**567**	—
Total earnings	**$1,686**	$ 1,912
Per common share before special items	**$0.43**	$0.75
Per common share including special items	**$0.66**	$0.75

Source and Application of Funds	**1969**	1968
Funds Provided:		
Total earnings	**$1,686**	$ 1,912
Add:		
Depreciation and amortization	**1,784**	1,772
	$3,470	$ 3,684
Funds Applied:		
Fixed assets — additions (net)	**$1,972**	$ 1,105
Funded debt — current	**2,681**	2,356
Preferred shares redeemed	**46**	142
Dividends	**1,288**	1,295
	$5,987	$ 4,898
Working Capital — (decrease)	**$(2,517)**	$ (1,214)
Working Capital — June 30	**$31,204**	$33,550

(Subject to audit and year-end adjustment)

Canron Limited, 1 Place Ville Marie, Montreal 113, Quebec

CANRON

RAPPORT INTÉRIMAIRE AUX ACTIONNAIRES POUR LE SEMESTRE TERMINÉ LE 30 JUIN 1969

Aux actionnaires:

Cette année, les commandes nouvelles enregistrées normalement pendant les premiers mois ont tardé à se réaliser et le bénéfice net pour le premier semestre a nettement fléchi. Les ventes de propriétés pendant cette période ont apporté l'équivalent de 23 cents par action au bénéfice net. Comme ces revenus ne proviennent pas de l'exploitation normale, ils sont entrés dans un poste spécial dans les états financiers ci-joints. Au cours du deuxième trimestre, l'augmentation des commandes nouvelles a été telle que les commandes à exécuter s'élèvent maintenant à $72,000,000 comparativement à $41,000,000 au début de l'année et à $50,000,000 au 30 juin 1968.

La diversification marquée des produits vendus par la compagnie s'est poursuivie selon les prévisions. Une nouvelle usine de petits moteurs électriques est entrée en service à Napanee (Ont.). L'acquisition récente de la série de produits spéciaux pour chemins de fer d'une compagnie américaine fournira un complément à notre secteur du matériel d'entretien pour voies ferrées. Des négociations sont à un point avancé en vue de l'acquisition d'une participation majoritaire dans Matisa Matériel Industriel S.A., société ayant d'importantes usines en Suisse et des compagnies affiliées en Europe s'occupant de la mécanisation de l'entretien des voies ferrées dans le monde entier. Ces transactions ajouteront environ $20,000,000 à nos ventes annuelles. L'usine de Calgary cessera de fabriquer de l'acier de charpente en août et l'usine d'Edmonton deviendra une succursale d'exploitation de Western Bridge.

Le niveau réduit des activités pendant le premier semestre, ainsi que le ralentissement des investissements par suite du resserrement du crédit, affecteront défavorablement les résultats financiers de l'exercice global. Cependant, le volume considérable des commandes actuellement à exécuter nous assurera un taux de production moyen plus élevé pour le reste de l'année et un report de commande en 1970. Compte tenu des avantages que nous apporteront nos nouveaux produits et nos nouvelles acquisitions ainsi que notre abandon progressif des activités à faible bénéfice, les perspectives de Canron sont encourageantes.

Le président,

H.-J. Lang

Montréal (Qué.)
le 25 juillet 1969

H. J. LANG

Résumé des états financiers consolidés pour le semestre terminé le 30 juin 1969

(en milliers de dollars)

Revenus	1969	1968
Ventes	**$63,537**	$70,111
Coûts et dépenses	**61,512**	66,557
	2,025	3,554
Autres revenus	**9**	122
	2,034	3,676
Impôts sur le revenu	**915**	1,764
	1,119	1,912
Postes spéciaux	**567**	—
Bénéfice net	**$1,686**	$ 1,912
Par action ordinaire sans les postes spéciaux	**$0.43**	$0.75
Par action ordinaire postes spéciaux compris	**$0.66**	$0.75

Provenance et utilisation des fonds	1969	1968
Provenance des fonds:		
Bénéfice net	**$1,686**	$ 1,912
A ajouter:		
Amortissement et dépréciation	**1,784**	1,772
	$3,470	$ 3,684
Utilisation des fonds:		
Immobilisations — additions (net)	**$1,972**	$ 1,105
Dette obligataire courante	**2,681**	2,356
Actions privilégiées rachetées	**46**	142
Dividendes	**1,288**	1,295
	$5,987	$ 4,898
Fonds de roulement (diminution)	**$(2,517)**	$ (1,214)
Fonds de roulement au 30 juin	**$31,204**	$33,550

(Sous réserve de la vérification et des redressements en fin d'exercice).

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